

OUTGOING TELEGRAM

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FADRC FOL CASE NO. 7902989
SENT TO: AMEMBASSY TOKYO 2057

Department of State

UNCLASSIFIED SECURITY INFORMATION

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FCN Treaty. UR 2664. DEPT proposer FOL solutions points raised:

(1) Add FOL provision PROT: QTE 15. During transitional period of three years from date signature present Treaty, JAP may continue apply special restrictions on the purchase by aliens, with yen earnings, of interests in JAP companies. UNQTE

(2) Add FOL sentence to PROT para. 3 (relating Art. VII, para. 2): QTE With reference second sentence that paragraph, JAP shall be entitled, except in respect banking activities, to withhold national treatment from enterprises of nationals and companies of USA to the extent that the State in which such national is domiciled, or pursuant to whose laws such company is organized, does not accord national treatment to enterprises of nationals and companies of JAP. UNQTE

(3) RE exchange remittances earnings from non-dol investments, DEPT believes no distinction SHLD be made in case investments made in convertible non-dol currencies.

These

Drafted by: EDT:CP:HWalker:h

Clearance: OFD:FFYoung 2/20/55

Telegraphic transmission and classification approved by:

V. G. Sasser

NA

L/E

L/T

COM

Cld. Mr. Metzger

Miss Nilson

Kearns-Preston

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These currencies CLD obviously have been first converted into DOLS. RE inconvertible currency investments, WLD be difficult interpret and apply special treatment to them, since such non-dol investments are often merged with DOL investments, and allocation earnings to either investment WLD often need be arbitrary. PROT exception suggested JG might be source difficulty.

Treaty provisions SHLD be terms general principles without complicating details insofar possible. Present provision Article XII requires only "reasonable provision". If circumstances arose under conditions exchange stringency wherein distinction between earnings from DOL investments and earnings from non-dol inconvertible currency investments were appropriate and reasonable, such distinction CLD be under made/existing provision. DE/T foresees no practical difficulty for JAP under present wording.

(4) Prefer dekte para. 2 Art. XVIII rather than specify NATL treatment standard, since NATL treatment already fully provided elsewhere. Though regrsttable, EMB may offer deletion as concession bring NEGOT harmonious conclusion.

AMB has power proceed NEGOTS. Formal "full power" to authorize signature SHLD be requested when NEGOTS complete.

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